“The nature of the problems that a foundation tackles is exactly the opposite of business. In business, you look for easy things, very good businesses that don’t have very many problems and that almost run themselves. ... In the philanthropic world, you’re looking at the toughest problems that exist. The reason why they’re important problems is that they’ve resisted the intellect and money being thrown at them over the years and they haven’t been solved. You have to expect a lower batting average in tackling the problems of philanthropy than in tackling the problems of business.”


“Because foundations play such an important role in sustaining and strengthening civil society, they have a duty to monitor and improve their performance. The nation needs foundations that can learn from their failures as well as from their successes, that can more effectively meet the needs of charities, and that can reinforce democratic processes and institutions.”


For the last 15 years, American foundations have been at the forefront of a movement to strengthen the performance of nonprofit organizations, and of the sector as a whole, through supporting activities referred to as “capacity building.” While there have always been efforts to improve the functioning of nonprofits (as summarized by Letts, Grossman & Ryan in their 1998 book), the capacity building movement since the late 1980's has created a more organized field of practice and a national as well as local infrastructure.

This infrastructure now includes many foundations, management support organizations, academic institutions and consultants. Capacity-building services include needs assessments, training, and technical assistance consultation on a range of management issues, financial and technological support, and more. The growth of this infrastructure has been well-documented (see reports by Backer, 2000; DeVita & Fleming, 2001; Connolly & Lukas, 2002; Light & Hubbard, 2002; Blumenthal, 2003; Connolly & York, 2003; Kinsey, Raker & Wagner, 2003; Grantmakers for Effective Organizations, 2004; Backer, Bleeg & Groves, in press).

At the same time, the philanthropic sector itself has been growing. There are now more than 62,000 foundations in the U.S., according to the Foundation Center, with many more to come in the years ahead. Only 3,360 of the 20,716 foundations surveyed in 2003 by the Foundation Center have paid staff, however. The many “smaller” foundations - so called because of small infrastructure, not necessarily
small financial resources (according to some sources, unstaffed foundations with $15-20 million in assets or more are not uncommon) - constitute important resources in their communities. The Association of Small Foundation’s 2003 membership survey found that members collectively gave $2.9 billion in 2002, though only 7% of ASF’s 2,900 members have assets in excess of $50 million.

And there are dramatic shifts in the responsibilities for community problem solving the foundation sector faces. Government is retreating because of reduced revenues, tax cuts and a different political philosophy. Corporate involvement in local communities has lessened due to globalism and other forces - many cities no longer have a Fortune 500 corporate headquarters. Foundations increasingly are not just sources of money, but of overall leadership for community change. They need to be as strong as they can be if they are, in the words of the Liberty Hill Foundation in Los Angeles, to promote “change not charity” for the community.

Foundations are themselves nonprofits, and although different in many ways from the community groups to which they give grants, share some common organizational and management challenges. But like “the cobbler’s children who have no shoes,” few of these smaller foundations have made as much use as they could of available resources to build their own capacity. These under-used resources include the very activities many foundations support for other nonprofits in their communities. Also under-used is the support infrastructure of institutional philanthropy in the community, much of which has traditionally been directed towards larger foundations, though this is changing.

This does not mean smaller foundations have no impact, however. Committed donors, trustees and staff combined with smart philanthropic strategies have allowed small-staff and no-staff foundations to make a difference in many communities. This is hardly a new observation - Paul Ylvisaker’s thoughtful paper on this subject, published in 1989 by the Council on Foundations, was titled Small Can Be Effective! The question is: how can smaller foundations increase access to resources for capacity building that will help them do more with their philanthropic resources?

What’s In This Paper After describing the paper’s objectives and method of gathering information, five topics related to this question of increasing access are explored here:

< assessing the extent to which nonprofit sector and philanthropic sector resources for capacity building are being used by smaller foundations;

< defining the philanthropic infrastructure smaller foundations can draw upon for capacity building;

< defining the parallel nonprofit infrastructure that can be used for the same purpose;

< defining some of the reasons - psychological factors, staff resources, and growth of the field - for current limits on use of these resources by small foundations; and

< identifying what steps might increase use of capacity building resources by smaller foundations, to improve their operations and impact.
The Paper’s Objectives  This is an analytic paper based upon a small number of interviews and a literature review, so it isn’t intended to be comprehensive in covering these five topics. But it can stimulate dialogue and debate on this important subject. The paper was commissioned by the Annie E. Casey Foundation, as part of its Place-Based Philanthropy Initiative. This initiative seeks (a) to engage funders in ongoing learning and sharing around characteristics of effective philanthropic practice, including a focus on place; (b) to increase the capacity of funders to engage in effective philanthropic practice that improves results for disadvantaged children and families; and (c) to increase the philanthropic resources - both financial and human - that advance the mission of improving results for disadvantaged children and their families.

The paper also is part of the nonprofit Human Interaction Research Institute’s focus on nonprofit capacity building, and on the role of philanthropy in community change. In particular, the analysis presented here includes psychological aspects of philanthropic strategy, identifying motivational factors behind the limited use of nonprofit capacity building resources by smaller foundations.

How Information Was Gathered  Interviews were completed with thought leaders in philanthropy, particularly those who deal with philanthropic research, smaller foundations and capacity building within the foundation world. Interviewees are listed at the end of this paper. These were supplemented by a literature review, though there is not much literature pertinent to this subject - interviewees repeatedly said the fundamental question this study addressed was one to which they had not given previous attention.

The draft paper was circulated for review to all those interviewed, to obtain their feedback and suggestions for improvement. Interviewees were promised confidentiality, so no points of view are identified with individuals, although activities of some organizations operated by the interviewees are named.

Defining “Smaller” Foundation  Several interviewees emphasized that before beginning any analysis it was critical to define what is meant by “smaller foundation.” For this paper, “smaller” means having few or no staff - it doesn’t necessarily mean small in asset base. In Silicon Valley, said one interviewee, a $50 million foundation might have one 3/4 time staff person. Entrepreneurial donors generally operate their foundations at much leaner staff levels than do more traditional foundations, and have a high engagement style with more strategy on the front end, so small staffs are feasible.

However, small staff foundations are truly different than no-staff foundations, which are the most common in the U.S. The latter may simply involve grantmaking decisions made around a donor’s kitchen table, and implemented by a trust attorney. Or a no-staff foundation may use an outside resource like The Philanthropic Initiative as staff under a management services contract.

When a foundation has even one part-time or full-time staff person the situation changes rather dramatically. There is more of a continuity of resources available, and with that often comes more inclination to examine institutional issues, and to compare performance with other foundations, as several interviewees commented.

Also, foundations have life cycles. The Foundation incubator in Silicon Valley has
identified four stages: exploration, new/emerging, established and transitioning (these stages can be compared to the developmental stages for individual donors identified in Ellen Remmer’s 2000 report, What’s a Donor to Do: “Dormant but Receptive,” “Engaged, Getting Organized,” and “Committed, Becomes a Learner”). As might be expected, there are differences in capacity-building needs and in motivation to reach out for capacity-building services depending upon life cycle stage, as well as individual backgrounds.

Finally, many donors have multiple philanthropic vehicles today, which provides another context in which many smaller foundations operate. One person or family may have a family foundation for local giving; do international giving through an intermediary organization; have a donor advised fund at a community foundation to support a particular cause; have a supporting organization for another purpose; and engage in individual giving, often by multiple family members.

Thus, the perspectives of smaller foundations may be colored by the participation of donors and board members in some or all of these other vehicles. These varying experiences may lead to very different perspectives on the subject of capacity building.

**Defining Smaller Foundation Capacities**

The field of philanthropy has yet to reach consensus about the core competencies or capacities smaller foundations need to fulfill their missions effectively. In fact, this is still a subject of debate for the entire nonprofit sector, though there seems to be reasonable agreement on strong management and sound governance as core attributes of effective nonprofits, along with organizational stability, financial stability and program quality.

This paper defines four core capacities smaller foundations need to be effective:

<**legal** - knowledge and skill required to set up and operate the foundation within IRS and state nonprofit corporation laws and regulations (typically, smaller foundations hire an outside attorney to do most or all of this).

<**financial** - knowledge and skill required to manage the foundation’s assets, whether spending them down to closure or maintaining them in perpetuity (again, smaller foundations may hire an outside financial manager to take on this role).

<**governance** - knowledge and skill required to build effective boards and staff; strategically plan for change; establish policies to carry out the foundation’s vision, mission and objectives; and otherwise be accountable stewards of a public trust.

<**philanthropic** - knowledge and skill required to conduct the foundation’s business of grantmaking (how to define an area of interest, how to do the mechanics of grantmaking), as well as convenings, collaborating with other funders, and evaluating philanthropic practices so they can be improved.

In addition, smaller foundations need to develop a generalized **learning** capacity in all four areas - the ability to observe, seek information and guidance, and absorb what’s learned into their philanthropic strategy and operations.

**Overall Use of Capacity Building Resources by Smaller Foundations**

Interviewees agreed unanimously that “capacity building for smaller foundations” is largely a new topic - it has not been discussed
in much detail in the philanthropic, nonprofit or capacity building worlds. Some interviewees said it was the first time they’d ever even thought of this topic. And all agreed it is an important one warranting further consideration.

Generally, interviewees reported that they don’t see smaller foundations appearing very often in management service organization (MSO) workshops or TA programs. These foundations may hire a consultant who also works for nonprofits, but this is coincidental. As one interviewee put it: “It simply isn’t on their radar screens.” Interviewees also agreed that many smaller foundations’ donors, boards and staff don’t see capacity building for themselves as a priority, and neither do many providers of capacity building services, though this is starting to change.

Philanthropic Resources  The first realm from which smaller foundations can get capacity building services comes from within philanthropy.

1 - National organizations
These include membership organizations focused on smaller foundations, such as National Center for Family Philanthropy or the Association of Small Foundations; general purpose organizations such as the Council on Foundations and Independent Sector; and philanthropic organizations focused on a particular population or topic, such as Hispanics in Philanthropy or Grantmakers for Children, Youth and Families. Grantmakers for Effective Organizations, with some 400 foundation members of various sizes, focuses specifically on capacity building and evaluation activities.

Smaller foundations may belong to some of these groups for reasons related to capacity building, such as obtaining ASF’s “Foundation in a Box” materials and resources for trustees, or NCFP’s publications and trainings. They also may belong for practical reasons, such as ASF’s offering of Directors & Officers insurance to foundations with five or fewer staff.

Frequently, smaller foundations are reluctant to join general purpose or topic-specific national groups because their membership dues are relatively high, and many of their activities are oriented to meeting the needs of larger foundations. This in turn may limit the extent to which these organizations are now a “delivery system” to smaller foundations for information or services related to nonprofit capacity building.

2 - Regional/local organizations
These also are membership organizations for the most part: the numerous Regional Associations of Grantmakers and community foundations; and organizations specializing in services for newer philanthropies, such as Foundation Incubator, based in Silicon Valley. Smaller foundation donors, board members or staff often get connected with these organizations through referral from a peer in the local community.

Some regional associations are not set up to do outreach to smaller foundations, especially those too small to join as regular members because they do not wish to invest in the membership dues (as mentioned above for the national groups). Where smaller foundations are joining up, regional associations are changing, however, and providing services for these members such as roundtables focused on their topics of interest, newsletters and other publications, etc.

Community foundations sometimes are better positioned to connect smaller foundations and the communities in which they live because the community foundations themselves are
better connected with the local community, and they house donor-advised funds (some of which may belong to donors who also have smaller foundations, as mentioned above).

3 - Consultants
There are many consultants today who specialize in working with foundations, as has been reported in Foundation News and Commentary and other philanthropic publications. There is at least one professional organization for them, located in the San Francisco Bay area; it is called Northern California Foundation Consultants Group and has more than 100 members. These consultants often refer their smaller foundation clients to membership organizations in order to build their capacity. (interestingly enough, sometimes these membership organizations are concerned about consultants because it appears they are attempting to “steal business” from the membership organization, or to use them as a vehicle for marketing consulting services to foundations).

4 - Support organizations
There are also an increasing number of both for-profit and nonprofit organizations that provide support services to smaller foundations - ranging from consultation on philanthropic strategy, to direct assumption of all “back office” functions. Rockefeller Philanthropy Advisors and The Philanthropic Initiative are two nationally-known examples. A third, Acumen Fund, also serves as an investment manager for its wealthy clients, steering them towards socially responsible investments as well as opportunities for philanthropy.

5 - Peers
Many interviewed for this paper emphasized that personal contacts with peers (the donors or volunteer board members of smaller foundations) are one of the most important sources for smaller foundations if there is a capacity-building issue they wish to address. There is a sense that input from these peers will be neutral and sound because it is experience-based (and the peer typically has no motivation other than the desire to help). Interviewees were careful to point out, however, that not all peers have either the objectivity or expertise to provide such input - frequently they also have no background in concepts of capacity building, for instance.

On occasion the peer relationship is at the institutional level. A smaller foundation might get involved in building its own capacity, find benefit from this experience, and subsequently work to get other small foundations in its area involved in similar activities. A foundation collaboration, though convened primarily for grantmaking and/or community change purposes (see Backer, in press, for more details on this subject), sometimes can serve a capacity building function as well for its members. In either case, part of the positive energy comes from the leaders of smaller foundations talking to their peers. This may happen in various philanthropic sector meetings as well.

6 - Other
Trusted advisers frequently end up being the “first line of support” for smaller foundations and their donors when there is a need for some type of internal capacity-building activity. These individuals include tax, estate planning or trust attorneys; and accountants, wealth managers or private bankers. Like foundation peers, these trusted advisers are felt by many donors to be trustworthy and neutral, accurate and professional. But according to interviewees for this study, in many cases these individuals may be relatively uninformed about the nonprofit sector, or about the actual operations of foundations, and they may also have certain vested interests to present.
Private banks and other financial institutions could use existing mechanisms to offer capacity building for the smaller foundations operated by their clients. Many private banks, for instance, convene seminars for their clients on a range of topics, and smaller foundation capacity building could be one of those topics. There was no evidence from this study, however, that such a practice has been initiated to date, even on a small scale.

Also, there are a number of independently offered philanthropy training programs, which help to build skills of foundation staff. An example is the Rockefeller Philanthropy Workshop and the Council on Foundations new staff training program, which are expressly designed for new foundation donors or staff. According to this study’s interviewees, these programs certainly provide capacity building input to new, smaller foundations because they are concerned with helping them set up and operate efficiently, and to develop a successful philanthropic strategy. However, there is little evidence that these programs pay attention more specifically to the notion of capacity building for smaller foundations.

There are also a good number of donor education programs for individual donors which cover some related issues. In a 2003 survey of these programs by Jenny Yancy and Dan Siegel of New Visions, the quality and extent of these programs were found to vary considerably. But they also offer a potential platform for addressing capacity building needs and resources available to smaller foundation donors or staff. There is little evidence that these donor education programs now do so in any systematic way, or that they offer connections to the larger world of nonprofit capacity building for the participating donors.

According to this study’s interviewees, smaller foundation donors or staff also may use libraries in local philanthropy centers, and their donors may learn about capacity building approaches through other philanthropic vehicles they are involved with, such as giving circles, or Social Venture Partners. And sometimes an individual trustee or family member will take the lead - they might want to attend a philanthropy training program like the ones mentioned above.

**Nonprofit Resources**  The second realm is the larger arena of nonprofit capacity building, in which smaller foundations can participate if they wish. Overall, this study’s interviewees asserted that few smaller foundation donors, trustees or staff now view the nonprofit capacity building world as a significant resource. Nor do they have the information or access to be able to use this resource.

**1 - National organizations**  These include membership organizations such as the Alliance for Nonprofit Management, National Council of Nonprofit Associations and BoardSource. Smaller foundation donors or staff do appear at the meetings of the Alliance, but not in great numbers, and typically they are present to represent and talk about philanthropy to the nonprofit and capacity building support sectors, rather than to obtain information useful in meeting their own capacity building needs. And the conferences of such organizations are rarely if ever set up to encourage such discussion.

However, as many interviewees observed, there are often informal opportunities for learning that come from this participation. Just as smaller foundations sometimes learn about capacity building activities that might
be helpful for their own use through reviewing grant applications from the community, so they may increase their access through conference participation or other types of interactions with these organizations.

2 - Regional/local organizations
These include management support organizations (MSOs), of which most are not at present set up to deliver capacity building services to small foundations, according to this study’s interviewees. For example, these organizations often rely on junior personnel to conduct their workshops and other interventions. Such individuals may not be as likely to have the knowledge or interaction skills to deal effectively with donors or trustees. However, informal interactions can occur in the same way depicted above for national organizations.

According to this study’s interviewees, both national and regional or local nonprofit capacity-building organizations could offer three types of capacity-building-related services to smaller foundations:

< mobilizing and gaining access to the available resources for capacity building for the grantees of these foundations, which in turn may stimulate access for the smaller foundations themselves.

< helping smaller foundations better understand the overall grantmaking process (determining program priorities, doing market research for a grantmaking initiative), by providing consultation and in some cases actual research or analysis. This could include how to grow nonprofit infrastructure through certain types of grantmaking, not just docket management; or through research that helps to structure a particular grantmaking initiative. Again, such interventions can have a secondary, positive effect on participating foundation donors, trustees and staff.

<directly helping them strengthen their own organizations - this might include facilitating foundation board retreats and conceptual consultation with a donor or executive director, as well as more traditional kinds of technical assistance focused capacity building services.

Some of the most comprehensive and progressive MSOs, such as CompassPoint in San Francisco, currently offer all three types of services to foundations. However, according to this study’s interviewees, none of them do much of the third type of capacity building with smaller foundations.

Moreover, many MSOs simply don’t currently view smaller foundations this either as a well-defined area of need or as a significant marketplace for their services. Even at the most progressive MSOs, the service to foundations is at a low level compared to that provided to the broader nonprofit community, according to those we talked with.

3 - Consultants
A large number of consultants provide capacity building services to the nonprofit sector. Some of these consultants work directly with nonprofits, while others are commissioned to provide service by third party funders, including the smaller foundations that are the subject of interest here.

This study’s interviewees indicated that these consultants do sometimes provide services directly to smaller foundations, and that these services are sometimes directly or indirectly focused on capacity building, though they may not be labeled as such. And when smaller foundations hire a consultant to work with one of their grantees, there are opportunities for some impact on the sponsoring foundation as well.
Several interviewees mentioned that it would be desirable to increase awareness of consultants about opportunities to work with smaller foundations. Avenues might include philanthropic publications read by consultants, and professional groups such as Northern California Foundation Consultants Group.

4 - Support organizations
There is also a growing number of support organizations which provide third party management services to nonprofit organizations. These are typically focused on “back office” financial, human resources and related matters.

Public Health Foundation Enterprises in Southern California is an example. PHFE is currently exploring ways in which its portfolio of services to client nonprofits could be expanded to offer much more in the way of capacity building. PHFE also has several foundations in its portfolio, which could provide an intriguing “learning environment” for how these nonprofit support organizations also can service.

5 - Peers
Nonprofit managers are increasingly banding together in peer networking organizations, to share common concerns and problem-solve. For example, in the San Fernando Valley area of Los Angeles, the Valley Leadership Institute includes nonprofit executives (as well as business and government leaders) who come together for regular learning events as well as informal resource sharing and problem-solving.

These networking groups do not currently include any significant number of donors, trustees or staff from smaller foundations, nor is there an orientation in most of them towards philanthropy as an area of study, except for learning about how foundation support for nonprofit causes can be secured. However, several interviewees mentioned that these peer networks of nonprofit leaders might be approached to interact more directly with smaller foundations to share interests, needs and contacts related to capacity building.

The assumption is that a peer network of small nonprofit chief executives or board members actually would have a lot in common with a peer network of smaller foundations donors, trustees and staff. Thus a structured interaction between these two groups could focus on capacity building as a topic of interest for both types of organizations.

6 - Other
There are many other capacity building activities that support the nonprofit community. For instance, nonprofit management training programs both for undergraduate and graduate students, and for nonprofit executives desiring continuing education, provide a potential resource for smaller foundation donors, trustees and staff. Several examples were given of foundation personnel who participated in much training programs, even though they were much in the minority.

Also, nonprofits may teach foundations or individual donors about capacity building when the foundation gives a grant to a nonprofit and does due diligence, or when a nonprofit leader serves on a foundation board. In some cases, nonprofit organizations may actually educate funders with what’s in their proposals - and the funder may approach a capacity building resource without the nonprofit even knowing this has happened.

Reasons for Limited Use of These Resources
Based upon the small number of interviews conducted for his study, following
are some main conclusions about why smaller foundation donors, staff and trustees don’t currently use the resources either of institutional philanthropy or the nonprofit sector to build internal capacity.

**Psychological Factors**

1 - Smaller foundation donors and board members, most of whom have been very successful in the business world, may not understand the need for capacity building resources for their foundations, in part because they may not see that philanthropic work requires a somewhat different skill set than the business skills they already have.

2 - Smaller foundation donors and board members tend to rely on the advice of a trusted inner circle of advisers, who also may not recognize the need for capacity building, or even feel uncomfortable with connecting their clients to others for assistance.

3 - Foundations, large and small, tend not to make public their failures, or lessons learned from these failures. In turn, many tend not to seek outside help for capacity building, as this might require disclosing activities that have not been successful for their foundation (often this is reinforced by a strong culture of privacy among wealthy individuals).

4 - Smaller foundation donors and board members are usually not schooled in the nonprofit world, and therefore are unsure what sources are in fact reliable.

5 - Foundations, even very small ones, see themselves as unique - not like other nonprofits, and thus unlikely to benefit from the same services.

6 - Some donors also feel uncomfortable about appearing vulnerable in front of grantees or applicants, and therefore are unlikely to go to a group event offered by a capacity building organization or consultant.

7 - Some donors are suspicious of institutionalized philanthropy and thus of its jargon - like “capacity building.” One interviewee said that foundation executive directors are sometimes hired by a board or a donor and given an edict not to hire anyone who previously worked in philanthropy.

**Staff Resources**

1 - Most smaller foundations don’t have staff, and thus find it difficult to access capacity building services because the only ones who can do so are donors and board members... who have other jobs and lives. A key aspect of capacity building for smaller foundations is board development.

2 - There is a recent trend towards no-staff foundations, and for those that do have staffs to be as lean as possible. Venture philanthropy and the growth of foundations set up by entrepreneurs is a part of this trend, and so (indirectly) is proposed legislative actions to cut down on administrative expenses for foundations. All of these factors tend to result in fewer staff resources for smaller foundations, thereby making it more difficult for them to participate in any kinds of internal capacity building activities.

Moreover, many small foundations may deliberately choose not to invest in internal capacity-building, as an expression of their “lean and mean” philosophy. They tend to lump any costs of education for staff or board, or other efforts to improve their philanthropic practice, with administrative costs, which they want to hold down as much as possible in order to permit a larger investment in grantmaking.
**Growth of the Field**

1 - As already mentioned, the core competencies needed for good philanthropic practice have not been clearly identified, though there are several ventures now moving in this direction (e.g., the “Practice Matters” initiative led by Patti Patrizi and funded by a group of foundations; training programs for new foundation staff such as those offered by the Rockefeller Foundation; and donor education efforts such as those summarized in Siegel & Yancey’s 2003 report).

In truth, core competencies for effective nonprofit organizations have been defined only very generally, but Independent Sector, Alliance for Nonprofit Management, National Council of Nonprofit Associations (and several of the strongest state nonprofit groups, such as the California Association of Nonprofits) are developing such standards - both to encourage education and skill development for nonprofit leaders, and to increase the value and credibility of performance evaluation conducted in the nonprofit sector.

Clarifying these core competencies for good philanthropic practice, and addressing them more rigorously in foundations of all sizes, is becoming more important in the 21st century for at least three reasons. First, philanthropy as a field is becoming more professionalized so that internal pressures for competent performance are increased. Second, evaluation of foundation performance is becoming more common, making more data available about philanthropic outcomes. Third, increased government regulation of foundation activities is looming on the horizon, partly stemming from a higher public awareness that foundation resources (which are, after all, *not* private dollars for private use, but funds held in the public trust) are not always being used very effectively to address community needs and problems. As these competencies are better identified and disseminated, they can powerfully shape capacity-building interventions for smaller foundations.

2 - Most capacity building providers haven’t developed interventions that are targeted to smaller foundations, both because this is a small market, and because many foundations don’t want to pay for these services. In particular, the services they do offer are not tailored to the time needs, confidentiality needs or the desire of smaller foundation donors or board members to be with their peers.

3 - Sometimes smaller foundation donors or board members know about the work of larger foundations in their communities to support capacity building, but also know that these efforts are focused on small, grassroots nonprofits and think their foundation isn’t eligible to participate. Some further sharing of information, as well as re-shaping of the priorities of these efforts, could help to make such capacity-building activities more accessible.

**What’s Next** Attention to internal capacity building needs of smaller foundations represents a potential sea change in philanthropy. Interviewees for this study emphasized that this isn’t an impossible change to bring about. Several mentioned that “20 years ago we weren’t thinking about issues like succession,” and that much of the current infrastructure didn’t exist even 10 years ago. Also, institutional philanthropy was much less professionalized than it is now. Interviewees said that much could be done to get this issue on the agenda of philanthropy, through conference presentations, publications and leadership discussions.
One next step in this effort is a pilot test in Oakland, California, funded by the Annie E. Casey Foundation, to engage local funders in learning and sharing around effective philanthropic practice, and to increase local funders’ capacity to improve results for disadvantaged children and families. This effort includes asset mapping of general nonprofit capacity building resources in the area.

Beyond Casey’s individual efforts, four steps might be taken at the local, regional and national levels to increase the access of smaller foundations to resources for capacity building, and also to increase their motivation to use them:

1 - Test the Market This would involve inviting smaller foundation representatives to a brainstorming session about how to shape capacity building services for their organizations. This is being planned as part of a feasibility study for creating a nonprofit capacity-building resource center in the San Fernando Valley area of Los Angeles, under the joint auspices of California State University Northridge, Human Interaction Research Institute, and Volunteer Center of Los Angeles.

The area includes many hundreds of smaller foundations, few of which are taking advantage of any of the area’s capacity building resources. Hearing directly from leadership of local smaller foundations about what they would find useful can help shape that portion of the new center’s planned capacity-building activities.

2 - Develop and disseminate information about core competencies for smaller foundations. Using as a starting point the four tentatively-defined competencies presented in this paper, leadership organizations in philanthropy could come together to define further what these competencies are, then disseminate this information widely (along with information about resources to support the resulting needed capacity building). This can contribute not only to increasing access to capacity building for individual smaller foundations, but also to needed field building in philanthropy on this topic, along with the other recommendations made here.

As mentioned, pioneering efforts addressing the entire field of philanthropy, such as the Practice Matters project, can contribute to this consensus development. Annie E. Casey Foundation is exploring the convening of a small group of national experts on philanthropic practice and capacity building to take one step toward the development of such consensus.

Technology may have a specific role in dissemination. For instance, the National Center for Family Philanthropy is creating a web-based information resource for smaller foundations, called Familygivingonline. Collaborative approaches may also have a role in dissemination, as when the National Center for Family Philanthropy and The Philanthropic Initiative jointly created a database of materials for family foundations (to be made available through the Annie E. Casey Foundation website).

3 - Integrate foundation and nonprofit capacity building. A pioneering example of such integration is the blending of donor education and nonprofit capacity building activities by Social Venture Partners in Seattle, as described in an evaluation by Kendall Guthrie, Alan Preston and Lucy Bernholz (2003). Though the focus is on individual donors, rather than smaller foundations, the strategy is the same, and this activity could be compared with outcomes from the pilot test Casey is planning for
Tying together these sources of capacity building can both increase access to available resources for smaller foundations, and incentivize participation by foundation staff, boards and donors. A study of individual donor perspectives on nonprofit capacity building, just completed by the Human Interaction Research Institute, also may contribute to setting this direction.

These experiences might also be used to explore how a capacity building component could be built into grantmaking collaborations participated in by small foundations, e.g., the Organizational Capacity Building Initiative jointly operated in Northern California by the Sobrato, Schwab, and Peninsula Community foundations. Such collaboratives are intended in part to improve ability of the funding partners to make effective capacity-building grants, so an additional capacity building component for funders would fit in neatly.

This approach also has worked for the Nonprofit Management Fund in Milwaukee - which has some well-developed activities for educating funders about how to do capacity-building grantmaking. Such efforts could be used as the models for additional approaches that might be implemented throughout the country.

To support local efforts, some central coordinating place needs to be set up in communities focused on building capacity of smaller foundations. The “host” in many communities might be a Regional Association of Grantmakers, a community foundation or another entity already in the philanthropic infrastructure. Nonprofit incubators and resource development organizations, such as TIDES Center in San Francisco or Community Partners in Los Angeles, might be ideal conveners, said several of the study interviewees. These organizations already are important parts of their communities.

Training and technical assistance programs can be created which serve both philanthropy and nonprofits, such as the Rochester Evaluation Partnership in upstate New York. REP included a funders study group which met monthly for years; the participating funders had access to consultation with an evaluation expert, and there also were roundtable meetings for family foundations in the area. REP provides a good source of ideas for related efforts, including academic programs for improving philanthropic practice, such as the one just initiated at Michigan’s Grand Valley State University.

Existing national vehicles, such as the action-oriented workshops coordinated by national groups like the National Center on Family Philanthropy or Association of Small Foundations, also can be used to inform smaller foundations about the kinds of activities suggested here. At the local level, some management service organizations in the nonprofit capacity-building community might also take on this role.

4 - Explore other options through further study. Targeted research could be conducted, for instance, about how nonprofit management programs in universities, management services organizations, individual consultants and so forth could improve access of smaller foundations to these resources. Case studies could be part of such research, e.g., of the Hawaii Community Foundation’s program that brought in consultants to work on capacity building issues for nonprofits, but the consultants work both with philanthropists and nonprofit leaders.

Another strategy worthy of further study is how to take advantage of the reality that many donors today have multiple philanthropic vehicles. For instance, all donors with their own foundations who also are members of a
local giving circle might be approached through this body to receive some information or orientation about capacity building.

Finally, smaller foundation donors, trustees and staff are most likely to access the information products and services developed through the above three steps if they are persuaded by peers that capacity building should be an important priority for their own operations. In a companion piece to this paper, foundation executive director Allison Sampson writes persuasively about how capacity building can contribute to effectiveness for smaller foundations.

References


Acknowledgments

Thanks are extended to the following interviewees, for their thoughtful participation in this study:

Rayna Aylward, Mitsubishi Electric of America Foundation
Dalene Bradford, Community Foundations of America
Elizabeth Bremner, The Foundation Incubator
Beth Bruner, Bruner Foundation
Paul Connolly, TCC Group
Lee Draper, Draper Consulting Group
Deborah Hamilton, National Center for Family Philanthropy
Ralph Hamilton, Chapin Hall
Jan Masaoka, CompassPoint
Karen Menichelli, Benton Foundation
Joel Orosz, Grand Valley State University
Miyoko Oshima, Southern California Grantmakers
Tom Reis, W.K. Kellogg Foundation
Ellen Remmer, The Philanthropic Initiative
James Allen Smith, J. Paul Getty Trust & Georgetown University
Tim Walter, Association for Small Foundations

Helpful editorial input also was provided by Ira Barbell, Annie E. Casey Foundation; and Betsy Nelson and staff of the Association of Baltimore Area Grantmakers.

April 2004
ANNIE E. CASEY FOUNDATION

written by: Thomas E. Backer, PhD, Human Interaction Research Institute